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Argentina

Fresh Deciduous Fruit

Annual

2003

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Report Highlights:

The Argentine apple crop is expected to reach 1,000,000 metric tons (MT) in CY 2003, exceeding by 100,000 MT the poor CY 2002 apple harvest. The pear crop however, is forecast at the same level than in CY 2002 at 550,000 MT. Apple exports are expected to grow by 20 percent to 200,000 MT in CY 2003 due to the higher supply and very competitive pricing. Pear exports are forecast to remain at 320,000 MT in CY 2003. Quality is the main constraint to higher export levels. Imports are expected to remain at negligible levels as the dollar continues strong against the devalued Argentine peso. Both apple and pear producers continue to benefit from the weak peso, resulting in improvement of orchard management and plans to enlarge planted area.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Section I: Situation and Outlook

Production

Production of apples in CY 2003 is forecast to reach 1,000,000 MT, a 10 percent increase over CY 2002. Sources in the industry report this increase is partially due to better orchard management, thanks to the higher income (in peso terms) attained by this industry in CY 2002. Also contributing to the improvement was recovery from the poor harvest in CY 2002 due to the biannual "second year stress". Isolated hail storms and strong winds struck some producing areas in the Mendoza, Rio Negro and Neuquen growing regions, resulting in above normal quality problems. The combination of higher crop and higher damage is expected to bring a 25% increase in Concentrated Apple Juice (CAJ) production in CY 2003.

The chart below shows CY 2002 and 2003 production in the principle growing

Table 1: Production	Apples		Pears	
	CY 2002	CY 2003	CY 2002	CY 2003
Rio Negro and Neuquen region	800,000	880,000	450,000	450,000
Mendoza region	100,000	120,000	100,000	100,000
Total	900,000	1,000,000	550,000	550,000

Consumption

Domestic consumption in CY 2003 is expected to remain at 100,000 MT for pears and 380,000 MT for apples. CAJ domestic consumption is forecast at 7,000 MT. The 100,000 MT increase in apple production is expected to be divided up between exports and CAJ. Domestic apple consumption is mainly comprised of unexportable supplies of Red Delicious and Granny Smith varieties.

Trade

Exports

Exports of apples in CY 2003 are forecast at 200,000 MT, 20 percent more than in CY 2002, due to the larger supply. In CY 2003, Brazil is expected to recover as the main market for Red Delicious apples and pears. Exports of fresh pears are forecast at 320,000 MT in CY 2003, a volume close to that exported in CY 2002. Industry sources believe the increase in processing volume will cause CAJ exports to double to 30,000 MT in CY 2003 as it is expected more fruit will go to the processing sector. However, this is still far below the record 83,500 MT of production in CY 2001. Despite local complaints, trade sources believe Argentine fruit exports were not significantly affected by the government's imposition of a 10 percent import tax on fresh fruit and 5% export tax on CAJ (see table).

In CY 2002 export volumes of pears and apples did not increase as much as expected over depressed CY 2001 values. Industry sources cite the poor crop in terms of quantity and quality in CY 2002 is the main cause. Apple exports in the period Jan-Nov CY 2002 were 160,000 MT, 15 percent lower than the 184,000 MT exported in the same period of CY 2001. Estimates for the whole CY 2002 are at 165,000 MT, 15% less than in CY 2001. Russia has become an important market for the Argentine apples with volumes of 34,400 MT for CY

2003 and even temporarily replaced Brazil as the main single country buyer with a volume of 34,000 MT, in that year. The EU remained the primary market for the Argentine apples (see trade tables). The ban Brazil, traditionally Argentina's top market, applied on Argentine apples from May to June 2002 because of codling moth also hurt the apple exports that year.

Pear exports for the period Jan-Nov 2002 were 307,000 MT. In CY 2002, Brazil as a single country was still the main importer of Argentine pears with 79,000 MT followed by Italy with 50,300 MT, the U.S. with 44,000 MT and Russia with 41,000 MT. The EU however, continues being the most important market for the Argentine pears with 130,000 MT in CY 2002.

CAJ exports dropped drastically in CY 2002 to 15,000 MT from the previous 79,000 MT in CY 2001. According to sources in the industry, this drop was due to the lack of raw material from the poor harvest and the competence from the cider processing sector.

Table 2: Exports	January-November 2001		January-November 2002	
	VOLUME (MT)	VALUE (\$)	VOLUME (MT)	VALUE (\$)
APPLES	184,500	93,000,000	159,600	61,000,000
PEARS	313,000	164,500,000	307,000	134,000,000
CAJ	79,000	58,256,000	15,000	10,032,000

During CY 2002, export values for fresh apples and pears in dollar terms fell even more than export volumes, as importers offered lower prices due to the 70% peso devaluation (see prices). Apple exports for the first eleven months of CY 2002 were \$61 million. The most important customers were: the EU \$27.5 million; Russia \$12.5 million and Brazil \$11.5 million. The U.S. accounted for only \$850,000.00 of the Argentine apple exports. Pear exports in the first eleven months of CY 2002 were \$134,000 million, the main importers being: the EU \$58.2 million; the U.S. \$22 million; Russia \$17 million and Brazil 28 million.

Export regulations

Table 3: Export taxes & rebates		Export tax	Rebates*
APPLES & PEARS	Cases containing 2.5 kilos or less.	10%	6%
	Cases containing more than 2.5 kilos and less or equal to 20 kilos.	10%	5%
CONCENTRATED APPLE JUICE	In containers of one liter or less	5%	6%
	Others	5%	5%

*An additional 3% rebate for all fruit being exported through the San Antonio Este port is being granted. This special rebate will be reduced to 2% in CY 2004, 1% in CY 2005 and eliminated in January 2006.

Imports

Mainly due to the high exchange rate, imports of pears, apples and CAJ were insignificant during CY 2002. This trend is forecast to continue in CY 2003 as the value of the Argentine peso is expected to remain weak for the entire year. Apple import volumes were 368 MT in CY 2002 valued \$179,000.00. (See trade table for details). Pear were also very low during CY 2002 with a total volume of 248 MT and Brazil as the only supplier.

Table 4: Imports	Jan-Nov 2000		Jan-Nov 2001		Jan-Nov 2002	
	Volume (MT)	Value (\$)	Volume (MT)	Value (\$)	Volume (MT)	Value (\$)
Pears	762	464,000	459	269,000	249	98,000
Apples	11,255	5,800,000	4,159	2,000,000	369	179,000

Import regulations

Table 5: Import tariffs for countries outside the Mercosur	Import tariff	Statistical tax
APPLES & PEARS	11.5%	0.5%
CONCENTRATED APPLE JUICE	15.5%	0.5%

Factors affecting industry structure

Prices

Pear and apple export prices fell by 20% in CY 2002 with respect to CY 2001 (see statistical tables: prices). Exporters explain this fall is due to importers' request of a price drop as a way of sharing the benefit of the peso devaluation, while domestic prices in dollar terms fell even further (50 percent). The CAJ FOB price also fell from \$0.74 per kilo in CY 2001 to \$0.69 per kilo in CY 2002.

Table 6: Prices						
FOB Prices (\$ / Kg)				Domestic wholesale prices (\$ / Kg)		
Months	Apples	Pears	CAJ	Months	Apples	Pears
Jan-02	\$0.43	\$0.49	\$0.69	Jan-02	\$0.26	\$0.34
Feb-02	\$0.46	\$0.48	\$0.76	Feb-02	\$0.24	\$0.23
Mar-02	\$0.40	\$0.44	\$0.74	Mar-02	\$0.18	\$0.18
Apr-02	\$0.37	\$0.42	\$0.65	Apr-02	\$0.17	\$0.20
May-02	\$0.36	\$0.38	\$0.69	May-02	\$0.18	\$0.18
Jun-02	\$0.36	\$0.39	--	Jun-02	\$0.20	\$0.18
Jul-02	\$0.34	\$0.30	--	Jul-02	\$0.22	\$0.19
Aug-02	\$0.35	\$0.31	--	Aug-02	\$0.26	\$0.21
Sep-02	\$0.31	\$0.36	--	Sep-02	\$0.32	\$0.28
Oct-02	\$0.32	\$0.35	--	Oct-02	\$0.38	\$0.33
Nov-02	\$0.36	\$0.38	-	Nov-02	\$0.37	\$0.37

Cost of production

Producers estimate that the peso devaluation resulted in a reduction of 30-50 percent in their production cost. The cost of production of pears in CY 2003 is estimated at \$5130 per hectare which includes: \$3000 for all the agricultural practices before harvest (inputs such as pesticides and fuel, machinery and labor), \$1000 for indirect cost (taxes, irrigation water fare, technical consultants, electricity and car expenses), \$720 harvest (calculated for a 45 MT/hectare yield). The corresponding cost of production for apples is \$4485 for an orchard yielding 40 MT. This new economic situation is causing farmers to improve management techniques in the short run and expanded area in the medium term.

Table 7: Cost	Pears (\$/hectare)	Apples (\$/hectare)
Total Direct cost	3000	2450
(Labor)	480	450
(Inputs)	1920	1500
(Machinery)	600	500
Indirect cost	1000	1000
Depreciations	350	350
Interests	60	60
Harvest	720	625
Total Cost	5130	4485

Source: Secretaria de Estado de Fruticultura de Rio Negro, adapted.

Financial Sector

Despite the positive economic impact the peso devaluation had on the Argentine fruit industry, many Argentine fruit growers are heavily in debt. In CY 2002, foreclosures were suspended by law at the same time that all bank deposits were frozen. That atypical situation is slowly returning to normal with most bank accounts being freed and banks starting to collect debts. While the debt situation for some farmers remains serious, the GOA decision to convert all dollar denominated debt into pesos was a boon for many others. However, credit sources are expected to remain extremely limited for the foreseeable future.

Endemic Diseases

Codling moth (*Cydia Pomonella*) is still causing problems for the Argentine fruit industry. Brazil, one of the most important apple buyers with imports of up to 58,000 MT in CY 2001, banned the imports of the traditional red delicious apple variety from May 6 to June 23 2002, due to this plague. As a result Argentine exports of apples to Brazil fell to 34,000 MT in CY 2002. After that event, DDIV, the sanitary authority of Brazil, agreed with SENASA, its Argentine counterpart, on a very strict control program (PRA) which authorizes Brazilian inspectors to be located in the producing area. Under this new program, every producer willing to export apples and pears to Brazil will have to be registered. Every farmer will keep a phytosanitary book and will inform where his/her harvest will be stored and/or packed.

Varieties

While commercial planting of more popular varieties are being encouraged, the traditional Red Delicious (RD) continues to be the most common variety grown in Argentina. RD comprises nearly 60 percent of total apple exports, Granny Smith 25 percent, and Gala 11 percent. The rest, namely, Braeburn, Fuji, Golden Delicious, Pink Lady and Rome Beauty are all exported in smaller quantities. The same varieties dominate the domestic market.

In the case of pears, Bartlett (known in Argentina as Williams) accounts for 40 percent of the exports, followed by Packham's Triumph with 35 percent of the exports. Also, with minor importance are: Beurre D'Anjou 12 percent and Abate Fetel 2.5 percent. Other varieties are: Beurre Bosc, Beurre Giffard, Clapps Favourite, Red Bartlett, Red Beurre D'Anjou and the Asiatic varieties.

Policy

Plant health

As mentioned above, plant health continues being a commercial barrier for the Argentine fruit industry. Therefore the Government of Argentina has concentrated its efforts on fighting the most important pests present in the growing regions. Med Fly and Coddling Moth eradication programs are being carried out under the supervision of the Patagonian Barrier Foundation (Fundacion Barrera Patagonica -FunBaPa , www.funbapa.org.ar). Since January 1st 2003, all the fruit coming out of the Patagonia region will pay a 2.5 pesos/MT fee to fund the Codling Moth and Med fly eradication program. APHIS continues to monitor the health of apple and pear orchard, through the export clearance program in cooperation with the Argentine government.

Section II: Statistical tables

PSD Table						
Country	Argentina					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	54	54	54	54	0	54
Area Harvested	53	53	53	53	0	53
Bearing Trees	27100	27100	27100	27100	0	27100
Non-Bearing Trees	4000	4000	4000	4000	0	4000
Total Trees	31100	31100	31100	31100	0	31100
Commercial Production	1330800	1330800	900000	900000	0	1000000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	1330800	1330800	900000	900000	0	1000000
TOTAL Imports	4397	4397	1000	369	0	0
TOTAL SUPPLY	1335197	1335197	901000	900369	0	1000000
Domestic Fresh Consump	357907	357907	311000	375369	0	380000
Exports, Fresh Only	194490	194490	200000	165000	0	200000
For Processing	782800	782800	390000	360000	0	420000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	1335197	1335197	901000	900369	0	1000000

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	3310	U.S.	1810
Others		Others	
Russia	27774	Russia	34382
Brazil	57833	Brazil	33818
Netherlands	31677	Netherlands	24626
Belgium	32456	Belgium	21786
Norway	8509	Norway	9344
Portugal	8507	Portugal	8742
Spain	4522	Spain	8002
Sweden	4238	Sweden	4908
Italy	2877	Italy	3813
Paraguay	1664	Paraguay	1868
Total for Others	180057		151289
Others not Listed	11123		6513
Grand Total	194490		159612

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	188	U.S.	59
Others		Others	
Brazil	110	Brazil	248
Chile	3626	Chile	43
France	398	France	19
Italy	57	Italy	0
Spain	18	Spain	0
Total for Others	4209		310
Others not Listed			
Grand Total	4397		369

Prices Table			
Country	Argentina		
Commodity	Fresh Apples		
Prices in	US\$ FOB	per uom	MT
Year	2001	2002	% Change
Jan	540	430	-20.37%
Feb	740	460	-37.84%
Mar	560	400	-28.57%
Apr	530	370	-30.19%
May	510	360	-29.41%
Jun	490	360	-26.53%
Jul	410	340	-17.07%
Aug	350	350	0.00%
Sep	360	310	-13.89%
Oct	350	320	-8.57%
Nov	370	360	-2.70%
Dec	380		-100.00%
Exchange Rate	3.1	Local currency/US \$	

PSD Table						
Country	Argentina					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Deliv. To Processors	782800	782800	390000	360000	0	420000
Beginning Stocks	4046	4046	11725	11725	225	29243
Production	83543	83543	63000	38000	0	47000
Imports	1585	1585	500	108	0	100
TOTAL SUPPLY	89174	89174	75225	49833	225	76343
Exports	69449	69449	70000	14590	0	30000
Domestic Consumption	8000	8000	5000	6000	0	7000
Ending Stocks	11725	11725	225	29243	0	39343
TOTAL DISTRIBUTION	89174	89174	75225	49833	0	76343

Export Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	77521	U.S.	14494
Others		Others	
Uruguay	370	Uruguay	49
Dominican Rep.	76	Dominican Rep.	39
Colombia	0	Colombia	5
Germany	500		
Brazil	50		
Trinidad Tobago	48		
Italy	41		
Bolivia	36		
Paraguay	33		
El Salvador	9		
Total for Others	1163		93
Others not Listed	24		0
Grand Total	78708		14587

Import Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Brazil	1490	Brazil	106
Chile	13	Chile	2
Germany	285		
China	40		
Total for Others	1828		108
Others not Listed			
Grand Total	1828		108

Prices Table			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	US\$FOB	per uom	MT
Year	2001	2002	% Change
Jan	560	690	23.21%
Feb	460	760	65.22%
Mar	780	740	-5.13%
Apr	770	650	-15.58%
May	760	690	-9.21%
Jun	750	0	-100.00%
Jul	740	0	-100.00%
Aug	760	0	-100.00%
Sep	740	0	-100.00%
Oct	710	0	-100.00%
Nov	740	0	-100.00%
Dec	720		-100.00%
Exchange Rate	3.1	Local currency/US \$	

Prices Table			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	US\$FOB	per uom	MT
Year	2001	2002	% Change
Jan	560	690	23.21%
Feb	460	760	65.22%
Mar	780	740	-5.13%
Apr	770	650	-15.58%
May	760	690	-9.21%
Jun	750	0	-100.00%
Jul	740	0	-100.00%
Aug	760	0	-100.00%
Sep	740	0	-100.00%
Oct	710	0	-100.00%
Nov	740	0	-100.00%
Dec	720		-100.00%
Exchange Rate	3.1	Local currency/US \$	

PSD Table						
Country	Argentina					
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	18	18	18	18	0	18
Area Harvested	18	18	18	18	0	18
Bearing Trees	9036	9036	9100	9100	0	9100
Non-Bearing Trees	1200	1200	1300	1300	0	1300
Total Trees	10236	10236	10400	10400	0	10400
Commercial Production	610110	610110	550000	550000	0	550000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	610110	610110	550000	550000	0	550000
TOTAL Imports	468	468	300	250	0	0
TOTAL SUPPLY	610578	610578	550300	550250	0	550000
Domestic Fresh Consump	111537	111537	100300	105250	0	100000
Exports, Fresh Only	315631	315631	350000	315000	0	320000
For Processing	183410	183410	100000	130000	0	130000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	610578	610578	550300	550250	0	550000

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	42798	U.S.	44130
Others		Others	
Brazil	108559	Brazil	78681
Italy	42319	Italy	50329
Russia	22866	Russia	41261
Belgium	29492	Belgium	32520
Netherlands	34164	Netherlands	26795
France	8811	France	8319
Portugal	7413	Portugal	6975
Sweden	2446	Sweden	2844
Mexico	333	Mexico	2642
Spain	1349	Spain	2514
Total for Others	257752		252880
Others not Listed	15081		9889
Grand Total	315631		306899

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Brazil	296	Brazil	249
Chile	157		
Spain	15		
Total for Others	468		249
Others not Listed	0		0
Grand Total	468		249

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	US\$ FOB	per uom	MT
Year	2001	2002	% Change
Jan	560	490	-12.50%
Feb	580	480	-17.24%
Mar	570	440	-22.81%
Apr	510	420	-17.65%
May	510	380	-25.49%
Jun	450	390	-13.33%
Jul	410	300	-26.83%
Aug	380	310	-18.42%
Sep	390	360	-7.69%
Oct	440	350	-20.45%
Nov	440	380	-13.64%
Dec	520		-100.00%
Exchange Rate	3.1	Local currency/US \$	